

Message Text

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ACTION AID-59

INFO OCT-01 NEA-10 ISO-00 L-03 AGR-05 CIAE-00 COME-00

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OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 SS-15

NSC-05 DODE-00 /135 W

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R 231504Z JAN 76

FM AMEMBASSY DAMASCUS

TO SECSTATE WASHDC 5975

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E.O. 11652: N/A

TAGS: EAID, SY

SUBJ: PL 480 TITLE I PROGRAM FOR SYRIA

REF: STATE 4418, STATE 13925, DAMASCUS 399

1. SUMMARY: APPRECIATE RECEIPT OF PL 480 TITLE I 35,000 M.T. RICE PROPOSAL. EMBASSY RECOMMENDS COMBINING IT WITH 15,000 M.T. VEGOIL FOR TOTAL PROGRAM. FURTHER RECOMMEND RICE/SOYBEAN OIL PROPOSAL BE MADE TO SARG ON CY BASIS RATHER THAN FY. PROPOSAL WOULD MEET EXPRESSED SARG NEEDS, HELP MARKET DEVELOPMENT FOR SOYBEAN OIL, AND WOULD COMPARE FAVORABLY TO LAST YEAR'S PROGRAM (MAX OF \$22.5 MILLION OFFERED IN FY '75 OF WHICH \$18 MILLION ACTUALLY USED OWING TO VOLUME AND VALUE LIMITS). OUR RECOMMENDATION FOR XY 1976 PROGRAM IS IN RANGE OF \$19.6 MILLION (12.6 RICE AND 7 SOYBEAN OIL); RICE IS SIMILAR TO PREVIOUS YEAR AND IT WILL BE UP TO SARG TO MAKE DECISION ON ACCEPTABILITY OF SOYBEAN OIL OFFER AS SUBSTITUTE FOR REQUESTED GHEE AND BUTTER OIL. AT THIS POINT WE CANNOT SAY WHETHER SARG WILL WANT TO MAKE SUCH SUBSTITUTION. PROGRAM IS POLITICALLY DESIRABLE AS ADDITIONAL US ECONOMIC INPUT TO SYRIA IN SUPPORT OF OUR OVERALL OBJECTIVES HERE AND RECOMMENDED PROGRAM HAS DESIRABLE NEW ASPECT OF POTENTIAL MARKET PROMOTION AND DEVELOPMENT.

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MENT FOR SOYBEAN OIL. WE NEED AUTHORIZATION TO BEGIN NEGOTIA-

TIONS AS SOON AS POSSIBLE AND FOR VARIETY OF REASONS I BELIEVE IT WOULD BE MOST DESIRABLE TO GET BACK TO SYRIANS BY FIRST WEEK IN FEBRUARY. END SUMMARY.

2. THIS MESSAGE RESPONDS TO REQUEST (REF A) FOR COUNTRY TEAM RECOMMENDATIONS AND ANALYSIS OF PROPOSED PL 480 TITLE I PROGRAM FOR SYRIA. IT IS DIVIDED INTO RECOMMENDATIONS FOR THE THREE COMMODITIES UNDER REVIEW -- VEGOIL, RICE (TAKING INTO ACCOUNT REF B) AND WHEAT, FOLLOWED BY OUR COMMENTS AND ANALYSIS IN SUPPORT OF THESE RECOMMENDATIONS. REF C PROVIDES STATISTICAL DATA REQUESTED BY REF A.

3. RECOMMENDATIONS.

A. OVERALL PL 480 PROGRAM TIMING: DOES FY 76 EXTEND TO SEPTEMBER 30, 1976 FOR TITLE I PROGRAMMING? IF NOT, WE RECOMMEND A CY 76 PROGRAM FOR SYRIA, AS OPPOSED TO AN FY 76 PROGRAM, AS SEVEN MONTHS OF FY 76 HAVE ALREADY PASSED, AND AT VERY BEST ONE OR TWO MONTHS WILL PASS BEFORE SHIPMENTS CAN BEGIN UNDER THE PROPOSED PL 480 AGREEMENT. CY PROGRAM WOULD ALSO ASSIST SARG PROCEDURES; AS INDICATED DAMASCUS 5094, SYRIAN TITLE I REQUEST IS FOR COMMODITY DELIVERY DURING CY 76. SYRIAN SUPPLY PROGRAMS ARE ON CY BASIS WHICH IS ONE REASON FOR THE DELAY IN INITIAL SARG REQUEST AS FORWARDED IN DAMASCUS 5094. MOREOVER, SERIOUS RICE UMR PROBLEMS COULD ARISE IF FY 1976 ENDS JUNE 30 DUE TO OUR APPRAISAL THAT SARG HAS SO FAR MADE NO UMR-ELIGIBLE PURCHASES FOR DELIVERY THIS PERIOD. (SARG CONTINUES TO FIND EGYPTIAN RICE TOO EXPENSIVE.) FOR THIS REASON, WE THEREFORE RECOMMEND CY 76 PROGRAM RATHER THAN FY 76 PROGRAM.

B. SOYBEAN OIL: WE RECOMMEND PROPOSING TO SARG AN OFFER OF 15,000 M.T. OF SOYBEAN OIL IN DRUMS (NOT BULK) AS A SUBSTITUTE FOR GHEE AND BUTTER OIL SARG HAS REQUESTED. SO FAR, WE HAVE NOT BROACHED THIS IDEA WITH SARG. WE RECOGNIZE THAT SOYBEAN OIL MAY NOT BE CONSIDERED BY SARG AS COMPLETE SUBSTITUTE FOR ITEMS REQUESTED, BUT WE BELIEVE SUCH A QUANTITY CAN BE ABSORBED BY THIS MARKET WHERE MOST IF NOT ALL OF THE COTTONSEED OIL IS DISTRIBUTED BY SARG AT SUBSIDIZED PRICES. RECOMMENDED QUANTITY OF SOYBEAN OIL HAS LIMITED OFFICIAL USE

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POTENTIAL OF OPENING UP A NEW MARKET IN SYRIA, BOTH FOR OIL AND SOYBEANS, WHICH AT PRESENT TIME SYRIA LACKS ABILITY TO PROCESS. SYRIA IMPORTS SOYBEAN MEAL FOR POULTRY FEED USE, AND PLANS TO START PROCESSING OF SOYBEANS FOR LOCAL MEAL PRODUCTION ONCE LOCAL SOYBEAN PRODUCTION IS UNDERWAY. IMPORT OF SOYBEAN OIL AT THIS TIME COULD DEVELOP SUCH NEEDS FOR SOYBEANS AT EVEN FASTER RATE, AND IN TWO OR THREE YEARS CREATE A MARKET FOR IMPORTED SOYBEANS WHICH MIGHT OTHERWISE TAKE MUCH

LONGER TO DEVELOP, PARTICULARLY IF SOYBEAN CRUSHING IS TO RELY ON LOCALLY PRODUCED SOYBEANS ONLY. WE ALSO RECOMMEND THAT THERE BE NO EXPORT RESTRICTIONS PLACED ON SESAME OIL AS THIS IS A SPECIALTY ITEM USED IN A PULP-OIL MIXTURE FORM WHICH CANNOT BE SUBSTITUTED FOR BY OTHER EDIBLE VEGOILS.

C. RICE: WE AGREE WITH REF B THAT WE PROPOSE TO SARG CY 76 PROGRAM OF 35,000 M.T. OF RICE UNDER TERMS SPECIFIED IN REF B, WHICH ARE IDENTICAL TO FY 75 PL 480 TERMS, AND UMR OF 30,000 M.T. WE EXPECT SYRIA WOULD PURCHASE SAME HIGH QUALITY US RICE (U.S. NR 2, 5 PERCENT BROKENS) AS WAS PURCHASED UNDER LAST TITLE I AGREEMENT. HIGHER COST SHOULD BE REFLECTED IN MAXIMUM DOLLAR VALUE FOR RICE IN PROPOSED AGREEMENT, AND WE REQUEST WASHINGTON COMMENT ON THIS ASPECT AS FY 75 OFFER OF 25,000 M.T. RICE AT \$9 MILLION MAXIMUM RESULTED IN ACTUAL PURCHASE OF 21,796 M.T. THUS, OUR OFFER OF 35,000 M.T. AT MAXIMUM VALUE OF \$9.7 MILLION WOULD MEAN MUCH SMALLER ACTUAL VOLUME PURCHASING ABILITY FOR QUALITY OF RICE SYRIANS WANT. THEREFORE RECOMMEND WE STAY WITH 35,000 M.T. BUT INCREASE MAXIMUM VALUE TO \$12.6 MILLION (BASED ON OUR KNOWLEDGE OF CURRENT MARKET PRICES FOR QUALITY INDICATED.)

D. WHEAT: WE DO NOT RPT NOT RECOMMEND THAT WHEAT BE PROPOSED THIS YEAR DUE TO INDICATED FAVORABLE SUPPLIES OF LOCAL WHEAT AND LACK OF SUFFICIENT WHEAT/FLOUR IMPORT REQUIREMENTS TO FILL EXISTING UMR LEVELS. WE WISH TO INDICATE TO SARG WE WILL BE RECEPTIVE TO STUDYING WHEAT REQUEST NEXT YEAR, HOWEVER.

E. APPROACH TO SARG: BASED ON THIS MESSAGE AND STATISTICS CONTAINED IN REF C, WE RECOMMEND WE BE AUTHORIZED BY NO LATER THAN FIRST WEEK IN FEBRUARY TO ADVISE SARG OF TOTAL PROPOSED PROGRAM (RATHER THAN STARTING NOW ONLY WITH RICE LIMITED OFFICIAL USE

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PROPOSAL PER REF B) AND REQUEST SARG APPROVAL TO BEGIN NEGOTIATIONS AS SOON AS POSSIBLE.

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ACTION AID-59

INFO OCT-01 NEA-10 ISO-00 L-03 AGR-05 CIAE-00 COME-00

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NSC-05 DODE-00 /135 W

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R 231504Z JAN 76

FM AMEMBASSY DAMASCUS

TO SECSTATE WASHDC 5976

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4. COMMENTS/ANALYSIS:

A. VEGOIL.

(1) SYRIAN EDIBLE FAT AND OIL SITUATION IS DOMINATED BY A FEW PRODUCTS, NAMELY, OLIVE OIL, COTTONSEED OIL, AND ANIMAL AND VEGETABLE GHEE. OLIVE OIL PRODUCTION AND SUPPLY FLUCTUAGES GREATLY FROM YEAR TO YEAR DUE TO WEATHER FACTORS AND ALTERNATE BEARING CHARACTERISTICS OF OLIVES. IN RECENT YEARS, OLIVE OIL HAS ACCOUNTED FOR FROM 20 TO 46 PER CENT OF INDICATED EDIBLE FAT AND OIL AVAILABILITIES, AND ON THE AVERAGE ABOUT ONE-THIRD. COTTONSEED OIL IS THE OTHER MAJOR VEGETABLE OIL, WITH SUPPLIES AVERAGING ABOUT 26,000 TONS YEARLY. COTTON PRODUCTION ESTIMATED AT 411,000 M.T. IN CY 1975 IS UP SIX PER CENT FROM CY 1974, BUT IS EXPECTED TO FALL TO 1974 LEVELS IN 1976. THUS, LITTLE CHANGE IS EXPECTED IN CRUSHINGS OF 1975 AND 1976 COTTONSEED CROPS FOR 1976 OIL AVAILABILITIES.

(2) MARGARINE (EDIBLE GHEE) PRODUCTION HAS MAINLY BEEN FROM COTTONSEED OIL BYPRODUCT MATERIAL. MARGARINE PRODUCTION FROM IMPORTED RAW MATERIAL, COPRA AND COCONUT OIL, REPORTEDLY INCREASED IN CY 1975 AND WILL INCREASE AGAIN IN 1976. HOMS MARGARINE PLANT IS NOT RPT NOT WORKING AT CAPACITY, BUT SO LIMITED OFFICIAL USE

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FAR HAS NOT USED SOYBEANS AS RAW MATERIAL FOR TECHNICAL REASONS.

(3) TRADE IN EDIBLE FAT AND OIL PRODUCTS HAS SWITCHED FROM NET EXPORTS OF NEARLY 8,000 TONS IN 1970 TO NET IMPORTS OF NEARLY 11,000 TONS IN 1974. THERE WERE SMALL SESMAE OIL EXPORTS YEARLY DURING THIS PERIOD WHICH ARE EXPECTED TO CONTINUE, FOR THIS IS A SPECIALTY ITEM USED IN MANY ARABIC

DISHES. THERE HAVE BEEN NO EXPORTS OF EDIBLE OIL SINCE 1970 AND ONLY OCCASIONAL SMALL SHIPMENTS OF GHEE AND MARGARINE. OIL-SEED EXPORTS ARE LIMITED TO PEANUTS, ALL OF WHICH ARE SAID TO BE USED FOR CONFECTIONARY RATHER THAN OIL PURPOSES. NO PEANUT OIL IS PROCESSED AT STATE-OPERATED VEGETABLE OIL MILLS. MOST OF THE IMPORT TRADE IS IN GHEE MANUFACTURED FROM BUTTER. OTHER THAN SMALL QUANTITIES OF CORN, SOYBEAN AND SUNFLOWERSEED OIL IMPORTED BY THE PRIVATE TRADE, MOST OF THE EDIBLE OIL IMPORTS ARE OF A CONCESSIONAL NATURE FOR WFP PROJECTS. WFP REPORTS VEGETABLE OIL CY IMPORTS TOTALING 1,329 TONS IN 1970, 443 TONS IN 1971, 1,187 TONS IN 1972, 979 TONS IN 1973, 831 TONS IN 1974, AND 889 TONS IN 1975. WITH THE EXCEPTION OF SESAME SEED, THERE HAVE BEEN NO IMPORTS OF OILSEEDS OTHER THAN FOR PLANTING DURING 1970-1974.

B. RICE

RICE CONSUMPTION IN SYRIA HAS DOUBLED DURING LAST NINE YEARS, DUE TO INCREASING URBANIZATION OF POPULATION AND GREATER VARIETY IN DIET, WHICH IN THE COUNTRYSIDE IS DOMINATED BY BREAD AND BULGAR. THE 75,000 TONS OF RICE REQUESTED BY SARG APPEARS TO BE SYRIA'S ENTIRE CY 1976 NON-CONCESSIONAL (EXCLUDING TITLE I) IMPORT REQUIREMENT. LOCAL RICE PRODUCTION (MILLED BASIS) IS NO MORE THAN 5,000 TONS AND WORLD FOOD PROGRAM (WFP) SUPPLIES ABOUT 1,000 TONS. ACCORDING TO DATA SARG SUPPLIED FOR COMPLIANCE REPORTING AND REPORTED USDA/W IN SY5012 DATED 11/29/75, SARG FULFILLED FY 75 UMR. NO UMR-ELIGIBLE RICE IMPORTS WERE REPORTED FOR JULY/SEPT 75 QUARTER AND WE HAVE HEARD OF NO UMR RICE IMPORTS DURING OCTOBER-DECEMBER 1975 QUARTER, BUT MUST WAIT FOR THE NEXT SARG COMPLIANCE REPORT TO VERIFY IF THIS IS SO. SYRIA HAS ALREADY NEGOTIATED 20,000 TONS PRC RICE FOR 1976 DELIVERY.

C. WHEAT

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LARGE 1975 WHEAT CROP AS INITIALLY OFFICIALLY ESTIMATED BY SARG INDICATES THAT SYRIAN WHEAT/FLOUR IMPORT REQUIREMENTS ARE AT BEST AT ABOUT FY 75 UMR LEVEL. SECOND OFFICIAL MINAGR ESTIMATE OF CY 1975 WHEAT CROP AT 1.55 MILLION M.T. IS EXPECTED TO BE FINAL FIGURE. SARG WHEAT REQUEST IS FOR AMOUNT WE BELIEVE SYRIA NEEDS FOR BLENDING PURPOSES, AND DOES NOT TAKE INTO CONSIDERATION UMR. THE ONLY WHEAT/FLOUR CY 76 IMPORTS EXPECTED ARE THIS 75,000 M.T. OF WHEAT AND THE USUAL 80 TO 85,000 M.T. OF COMMERCIAL FLOUR IMPORTED YEARLY TO SUPPLEMENT LOCAL PRODUCTION. THESE FIGURES COULD BE SUBSTANTIALLY INCREASED IF SYRIA HAS TO SUPPLY FLOUR TO LEBANON BECAUSE OF CIVIL EMERGENCY IN LEBANON, EITHER FROM SYRIAN PRODUCTION USING LEBANESE-PURCHASED IMPORTED WHEAT OR FROM LOCAL SYRIAN SUPPLIES.

MURPHY

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